

Fondul Proprietatea Q3 2016 Results Conference Call

16 November 2016



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The price of shares and income from them can go down as well as up and you may lose some or all of your capital invested. The previous results of a fund or company do not account for future performances. Currency fluctuations will affect the value of foreign investments. All investments are subject to certain risks. Generally, investments offering the potential for higher returns are accompanied by a higher degree of risk. Stocks and other equities representing an ownership interest in a corporation have historically outperformed other asset classes over the long term but tend to fluctuate more dramatically over the shorter term. Small or relatively new companies can be particularly sensitive to changing economic conditions due to factors such as relatively small revenues, limited product lines, and small market share. Smaller company stocks have historically exhibited greater price volatility than larger company stocks, particularly over the short term. The significant growth potential offered by Emerging Markets remains accompanied by heightened risks when compared to developed markets, including risks related to market and currency volatility, adverse social and political developments, and the relatively small size and lesser liquidity of these markets.

The Fund's headquarters are located at 78-80 Buzesti Street, 7th Floor, Bucharest, 1st District, 011017, Romania. Fund's Fiscal Identification Code is 18253260 and Trade Registry registration number is J40/21901/2005. The subscribed share capital is RON 9,168,314,116.70 and paid up share capital is RON 8,859,073,619.20

Starting with 1 April 2016, in view of complying with the AIFMD, implemented in the Romanian legislation through Law no. 74/2015 on managers of alternative investment funds and Regulation no. 10/2015 on alternative investment fund management, Fondul Proprietatea SA, qualifying as an alternative investment fund, is managed by Franklin Templeton Investment Services S.À R.L. ("FTIS"), a société à responsabilité limitée qualifying as an alternative investment fund manager under Article 5 of the Luxembourg Law of 12 July 2013 on alternative investment fund managers, authorized by the Commission de Surveillance du Secteur Financier under no. A00000154/21 November 2013, whose registered office is located at 8A rue Albert Borschette, L-1246 Luxembourg, registered with the Luxembourg Register of Commerce and Companies under number B 36.979, registered with the Romanian Financial Supervisory Authority ("FSA") under number PJM07.1AFIASMDLUX0037/10 March 2016.

This presentation herein is issued by Franklin Templeton Investment Management Limited ("FTIML"), registered with the FSA under no. PJM01SFIM/400005/14 September 2009, which is authorized and regulated in the UK by the Financial Conduct Authority, registered therein under the number 121779, registered as a foreign equivalent of an investment adviser with the US Securities Exchange Commission, acting through its Romanian branch having its registered office at Premium Point, 78-80 Buzesti Str., 7-8th floors, 1st. District, Bucharest, Romania. FTIML acts herein as a delegate of FTIS with respect to the portfolio management functions as well as administration services over the Fund.

Fund Information



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The Fund – Key Facts

Fund Details as at 31 October 2016¹

	RON	USD ²
NAV	11.05 bn	2.69 bn ²
NAV/Share	1.1419	0.2776 ²
Price/Share	0.8060	0.1960 ²
Price/GDR	41.75	10.15 ²
Market Capitalization as at 15 November 2016 ³	7.68 bn	1.84 bn
Discount per Share as at 15 November 2016	30.44%	
Discount per GDR as at 15 November 2016	26.41%	
Number of Shares in Issue ⁵	10,786,251,902	
Number of Paid Shares ⁵	10,422,439,552	
Number of Paid Shares less Treasury Shares ³	9,665,617,037	

Investment Objective

Maximization of returns and per-share capital appreciation via investments mainly in Romanian equities and equity-linked securities.

Source: BVB, FP Report as at 31 October 2016 report.

1. Based on local regulator methodology.

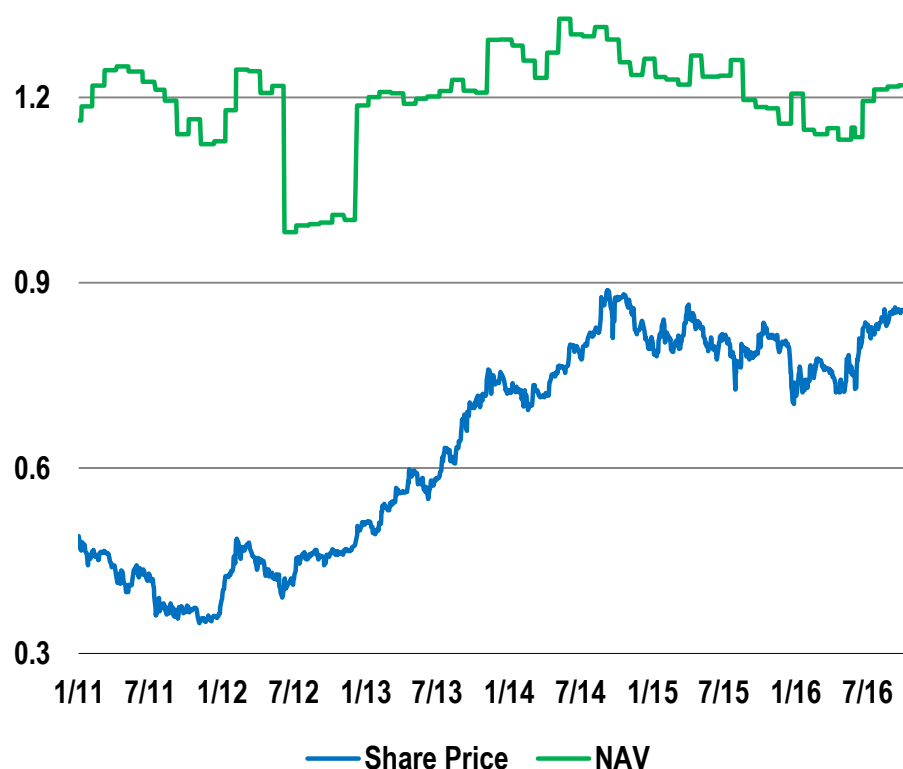
2. Computed using the NBR USD/RON FX rate as at 31 October 2016.

3. Excluding Treasury shares and the equivalent number of shares corresponding to the GDRs, repurchased as at 11 November 2016.

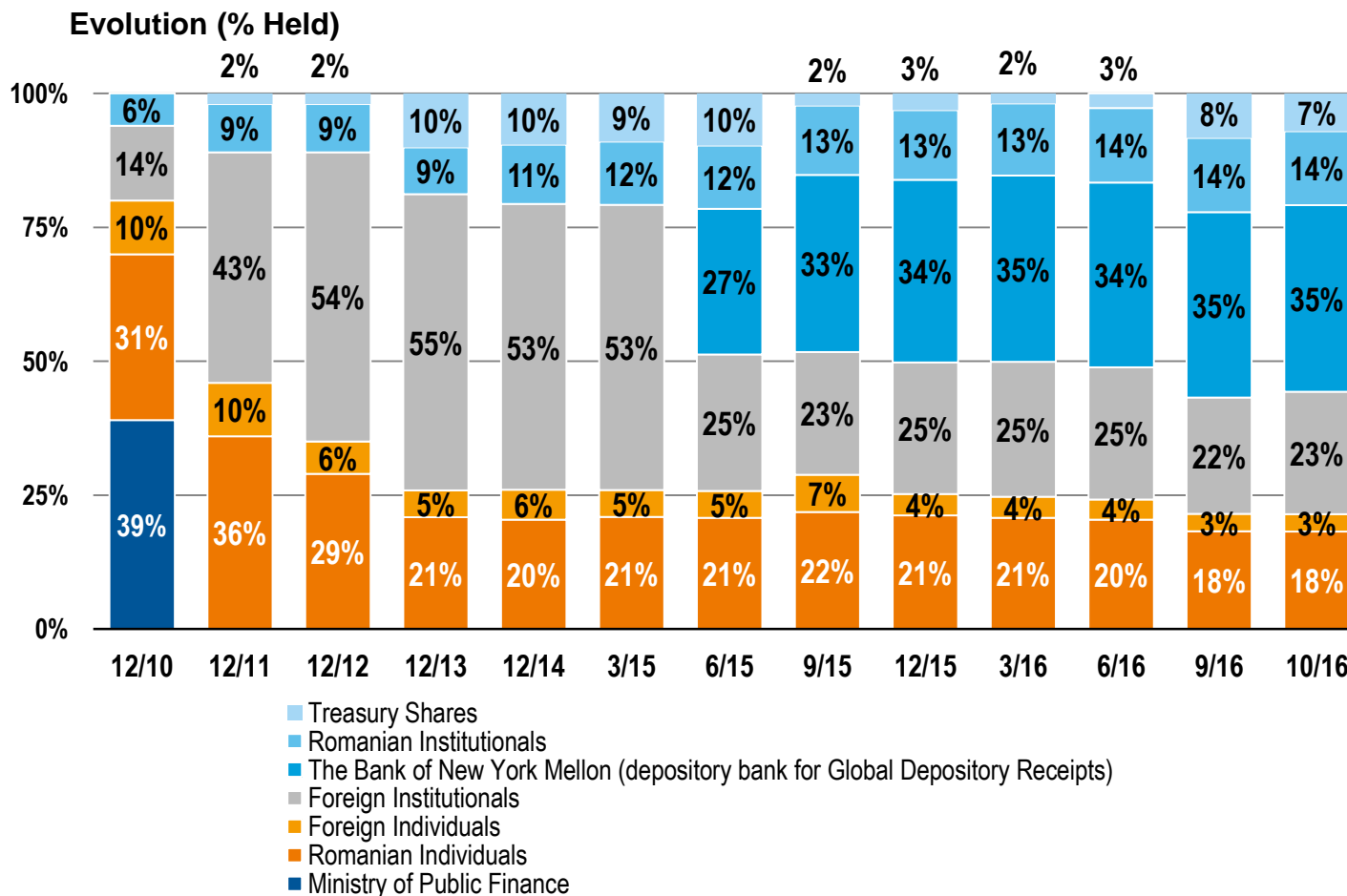
4. Source: BVB, Bloomberg, until 15 November 2016.

5. As at 15 November 2016.

FP Share Price⁴ and NAV



Shareholders Structure



Largest Shareholders¹

Elliott Associates	21.06%
City of London Investment Mgmt.	5.04%
Total Number of Shareholders ²	7,219

1. Based on the total voting rights. Source: Ownership disclosures submitted by Elliott Associates on 21 October 2015, and by City of London Investment Management Company Ltd. on 5 April 2016.

2. Shareholders structure as at 31 October 2016, based on paid share capital starting 31 July 2011. Source: Central Depository.

NAV, Share Price and GDR Performance

Cumulative Performance (RON)

	2011	2012	2013	2014	2015	Q3 2016	YTD ¹	Since Performance Inception ¹
NAV	(0.47)%	8.91%	13.29%	1.39%	(0.60)%	5.82%	3.29%	27.85%
Ordinary Share Price	(30.32)%	38.30%	61.34%	14.53%	(4.06)%	5.95%	6.35%	81.70%
GDR	N/A	N/A	N/A	N/A	N/A	6.69%	7.76%	3.31%

Average Annual Discount

2011	2012	2013	2014	2015	YTD ²	Current Share Price Discount ³	Current GDR Price Discount ³
55.67%	50.09%	40.74%	30.87%	29.12%	32.28%	30.44%	26.41%

Source: BVB, LSE, Bloomberg, FP NAV reports.

Note: The discount is calculated based on the latest published NAV available for the day of the calculation.

The Performance Inception date for the NAV is 31 December 2010, for the Share Price is 25 January 2011, and for the GDRs is 29 April 2015.

1. As at 31 October 2016.

2. For the period: 4 January – 15 November 2016.

3. As at 15 November 2016.

Attribution to NAV Performance for Q3 2016

TOP PERFORMERS

Company	Status	Weight in total NAV ¹	Change in share price or NAV value per share in Q3 2016	Total effect for Q3 2016
OMV Petrom	Listed	23.1%	1.7%	0.36%
BRD Groupe Societe Generale	Listed	2.5%	12.2%	0.26%
Alro	Listed	0.8%	17.4%	0.11%
Conpet	Listed	0.4%	4.1%	0.04%
Romaero	Listed	0.2%	16.7%	0.03%

BOTTOM PERFORMERS²

Company	Status	Weight in total NAV ¹	Change in share price or NAV value per share in Q3 2016	Total effect for Q3 2016
Nuclearelectrica	Listed	1.2%	(1.7)%	(0.02)%
Zirom	Unlisted	0.2%	(2.2)%	(0.01)%

TOTAL NAV PER SHARE VARIANCE Q3 2016

2.2%

Note: Amounts adjusted with the dividends declared by the companies according with FP accounting policy.

1. As at 30 September 2016. Source: FP 30 September 2016 Detailed statement of Investments.

2. Only two companies had a negative contribution to NAV performance during Q3 2016.

Attribution to NAV Performance for 9-months 2016¹

TOP PERFORMERS

Company	Status	Weight in total NAV ¹	Change in share price or NAV value per share for 9 MO 2016	Total effect for 9 MO 2016
Hidroelectrica	Unlisted	28.8%	23.2%	6.20%
CN Aeroporturi Bucuresti	Unlisted	5.6%	27.0%	1.34%
CN Administratia Porturilor Maritime	Unlisted	1.9%	20.3%	0.42%
Electrica Distributie Transilvania Nord	Unlisted	1.9%	0.0%	0.23%
Electrica Distributie Muntenia Nord	Unlisted	2.2%	0.0%	0.22%

BOTTOM PERFORMERS

Company	Status	Weight in total NAV ¹	Change in share price or NAV value per share for 9 MO 2016	Total effect for 9 MO 2016
OMV Petrom	Listed	23.1%	(15.9)%	(4.09)%
Romgaz ²	Listed	0.0%	N/A ²	(0.60)%
Nuclearelectrica	Listed	1.2%	(23.1)%	(0.27)%
BRD Groupe Societe Generale	Listed	2.5%	(9.1)%	(0.17)%
Alro	Listed	0.8%	(8.0)%	(0.06)%

TOTAL NAV PER SHARE VARIANCE 9 MONTHS 2016

1.2%

Note: Amounts adjusted with the dividends declared by the companies according with FP accounting policy.

Source: FP 30 September 2016 Detailed statement of Investments.

1. As at 30 September 2016.

2. Holding disposed of in April 2016.

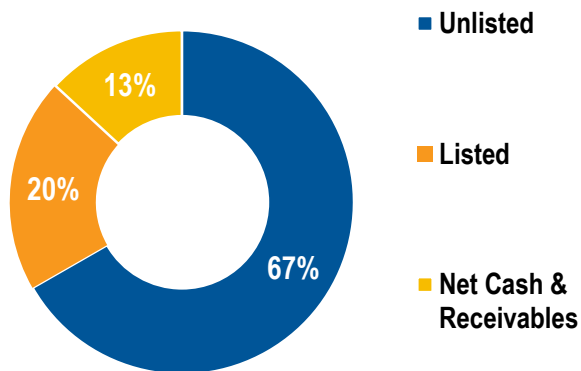
Portfolio



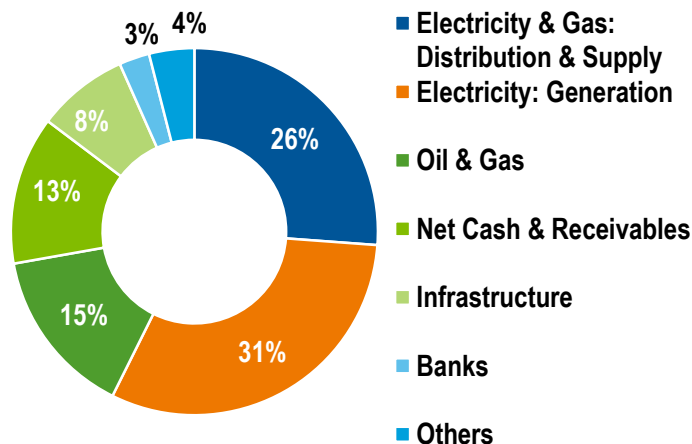
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Portfolio Structure

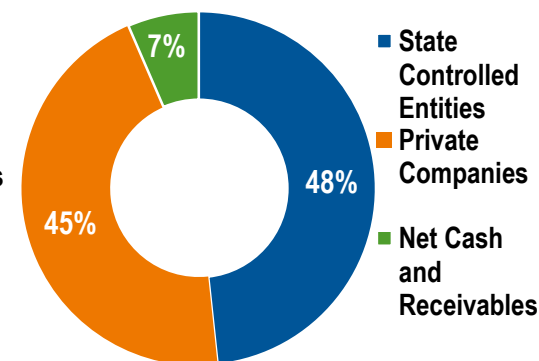
**Listed vs Unlisted
as at 31 October 2016**



**By Sector
as at 31 October 2016**



**By Controlling Ownership as
at 30 September 2016**



- As at 31 October 2016, the portfolio included stakes in 45 companies (13 listed and 32 unlisted)
- Net cash and receivables position as at 31 October 2016 was USD 353.4 mn
- The Fund Manager contracted a revolving credit facility for a maximum committed amount of RON 1 billion from BRD - Groupe Societe Generale SA.. The purpose of this credit facility is for general corporate use, including share buybacks, but excluding investments.

Source: FP Factsheet as at 31 October 2016, FP 30 September 2016 Detailed Statement of Investments.

Largest Holdings by NAV

Portfolio Company	Status	Majority Shareholder	% Stake ¹	NAV as at 31 October 2016 (USD mn)	% in NAV as at 31 October 2016
Hidroelectrica SA	Unlisted	Romanian State	19.9%	794.78	29.58
OMV Petrom SA	Listed	OMV	12.6% ³	390.22	14.52
CN Aeroporturi Bucuresti	Unlisted	Romanian State	20.0%	153.77	5.72
ENEL Distributie Banat	Unlisted	Enel Group	24.1%	151.71	5.65
ENEL Distributie Muntenia	Unlisted	Enel Group	12.0%	110.72	4.12
Engie Romania ²	Unlisted	Engie	12.0%	108.46	4.04
ENEL Distributie Dobrogea	Unlisted	Enel Group	24.1%	97.54	3.63
BRD Groupe Societe Generale	Listed	Societe Generale Group	3.6%	67.71	2.52
Electrica Distributie Muntenia Nord	Unlisted	Electrica	22.0%	61.73	2.30
Electrica Distributie Transilvania Sud	Unlisted	Electrica	22.0%	54.05	2.01
Top 10 Portfolio Holdings				1,990.69	74.09
NAV				2,687.10	100.00
NAV Per Share (USD)				0.2776	

Note: Values in USD calculated using the USD/RON FX rate as at 31 October 2016.

Source: FP Factsheet as at 31 October 2016.

1. Based on the FP 30 September 2016 Detailed Statement of Investments.

2. Former GDF Suez Energy Romania.

3. Based on FP current report issued on 14 October 2016.

Update on the Potential Disposals of Unlisted Power and Gas Distribution Companies

Company	FP Stake	NAV USD mn	% NAV
Enel Distributie Banat (EDB)	24%	156.7	5.5%
Enel Distributie Muntenia (EDM)	12%	114.4	4.0%
Enel Distributie Dobrogea (EDD)	24%	100.7	3.5%
Enel Energie (EE)	12%	19.2	0.7%
Enel Energie Muntenia (EEM)	12%	16.1	0.6%
Total Enel		407.1	14.3%
Electrica Distributie Muntenia Nord	22%	63.8	2.2%
Electrica Distributie Transilvania Sud	22%	55.8	2.0%
Electrica Distributie Transilvania Nord	22%	54.1	1.9%
Electrica Furnizare	22%	37.6	1.3%
Total Electrica		211.3	7.4%
Engie Romania¹	12%	112.0	3.9%
TOTAL		730.4	25.6%

Background

- The total value of the holdings is USD 730.4 mn, or 25.6% of the NAV per the Fund's 30 September 2016 Detailed Statement of Investments.

Status

- Electrica:** Mr Catalin Stancu, the newly appointed CEO of Electrica has started its mandate on 24th of October. Discussion on FPs stake in Electrica subsidiaries may resume in the future.
- Enel and Engie:** Ongoing discussions with controlling shareholders.

Notes: Values in USD calculated using the USD/RON FX rate as at 31 October 2016.

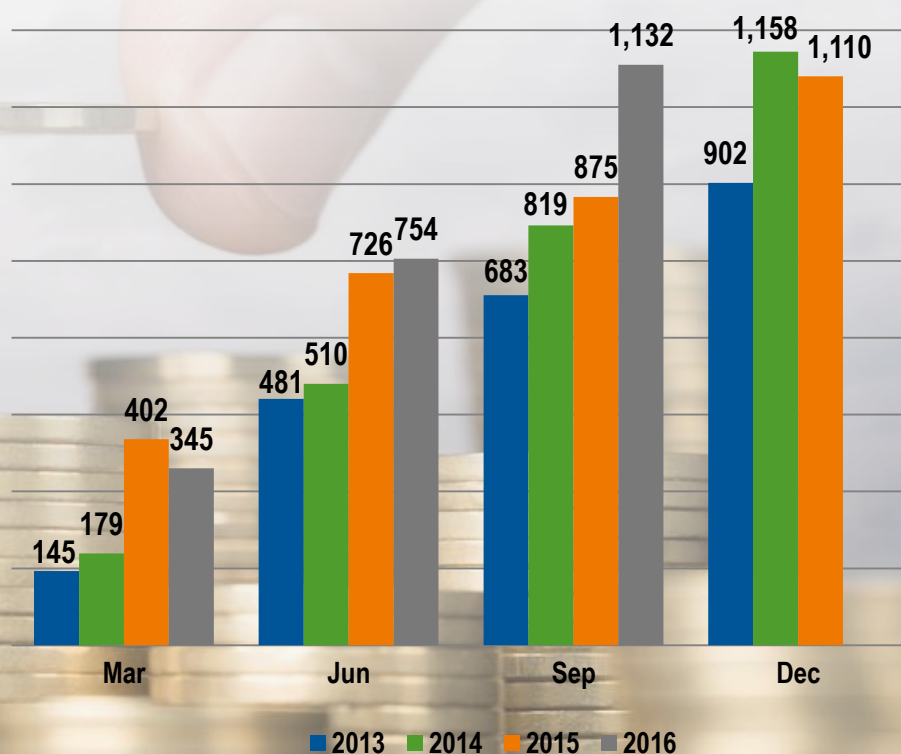
Source: FP 30 September 2016 Detailed Statement of Investments.

1. Former GDF Suez Energy Romania.

Hidroelectrica – Financial Performance

- On 21 June 2016 the company exited the insolvency procedure by the decision of the syndic judge.
- The company is run by an interim Supervisory Board composed of 7 members, and an interim Directorate, composed of 3 members. Selection of the Supervisory Board and the directorate based on Law 111/2016 is ongoing; 84 candidates applied for the positions.
- 14 litigations are still pending in front of the Court of Appeal (final Court) whose total initial estimated value of claims is RON 1.46bn. Next hearings are set for 24 November 2016.
- While the revenues decreased by 2% in the first nine months of 2016 compared with the same period of 2015, the net profits of the company increased by 26% (RON 890 mn vs. RON 709 mn).
- Cash levels are at RON 1.26bn as of end September 2016
- Profit increase drivers:
 - lower quantities delivered on the regulated market at lower prices
 - extension of fixed assets life (to comply with market standards) resulting in lower depreciation
 - increased revenues from different product mix
- Listing preparation is ongoing, led by Morgan Stanley and Raiffeisen.

Pre-tax cumulated profit (RON mn)



Source: Hidroelectrica 2009 – 2015 Annual reports and financial statements, Hidroelectrica monthly press releases.

OMV Petrom Partial Sale – Transaction Details (I) **FONDUL** PROPRIETATEA

Type of Offering	Pricing	Offering Size	Offering Structure	Pricing / Settlement
<ul style="list-style-type: none"> • SPO of shares and • GDRs listing 	<ul style="list-style-type: none"> • RON 0.21 per share / \$7.70 per GDR • Discount to last closing price: 13.9% 	<ul style="list-style-type: none"> • RON 682 mn and \$19 mn • 3,641,100,108 shares • 6.4% of share capital representing 68.7% of the free float and 1,675.2x the 3M ADTV 	<ul style="list-style-type: none"> • 3,267,250,908 shares and 2,492,328 GDRs • 1 GDR = 150 shares • The Fund reduced its stake from 18.99% to 12.57% 	<ul style="list-style-type: none"> • 14 Oct / 19 Oct for shares, respectively 20 Oct for GDRs

Transaction Highlights

- Largest ever fully marketed follow-on offering in Romania
- Largest equity transaction in Romania since June 2014
- Largest EM EMEA Oil and Gas transaction in 2016 Year-to-date
- Following the offering, OMV Petrom's free float will increase by 69% (from 9.4% to 15.8%)
- Large deal size: 1,342 days trading volume (equivalent to over 5.8 years' trading volumes)

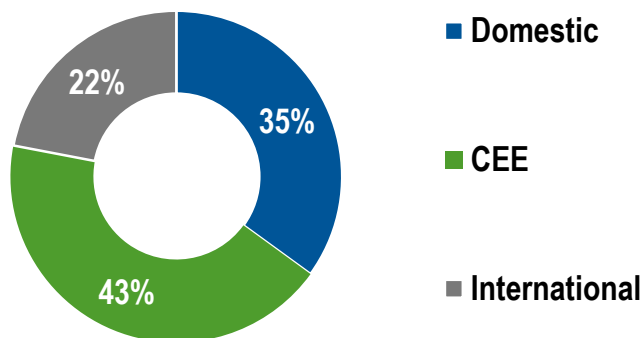
Source: Goldman Sachs International, Banca Comercială Română SA, Erste Group Bank AG and WOOD & Company Financial Services.



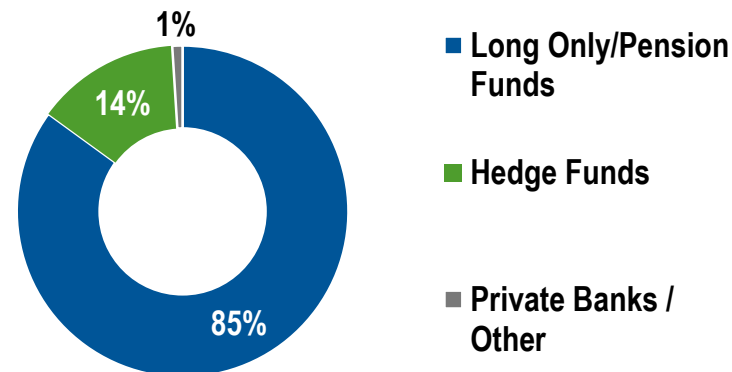
OMV Petrom Partial Sale – Transaction Details (II)

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Total Allocation by Region



Total Allocation by Type



Transaction Highlights

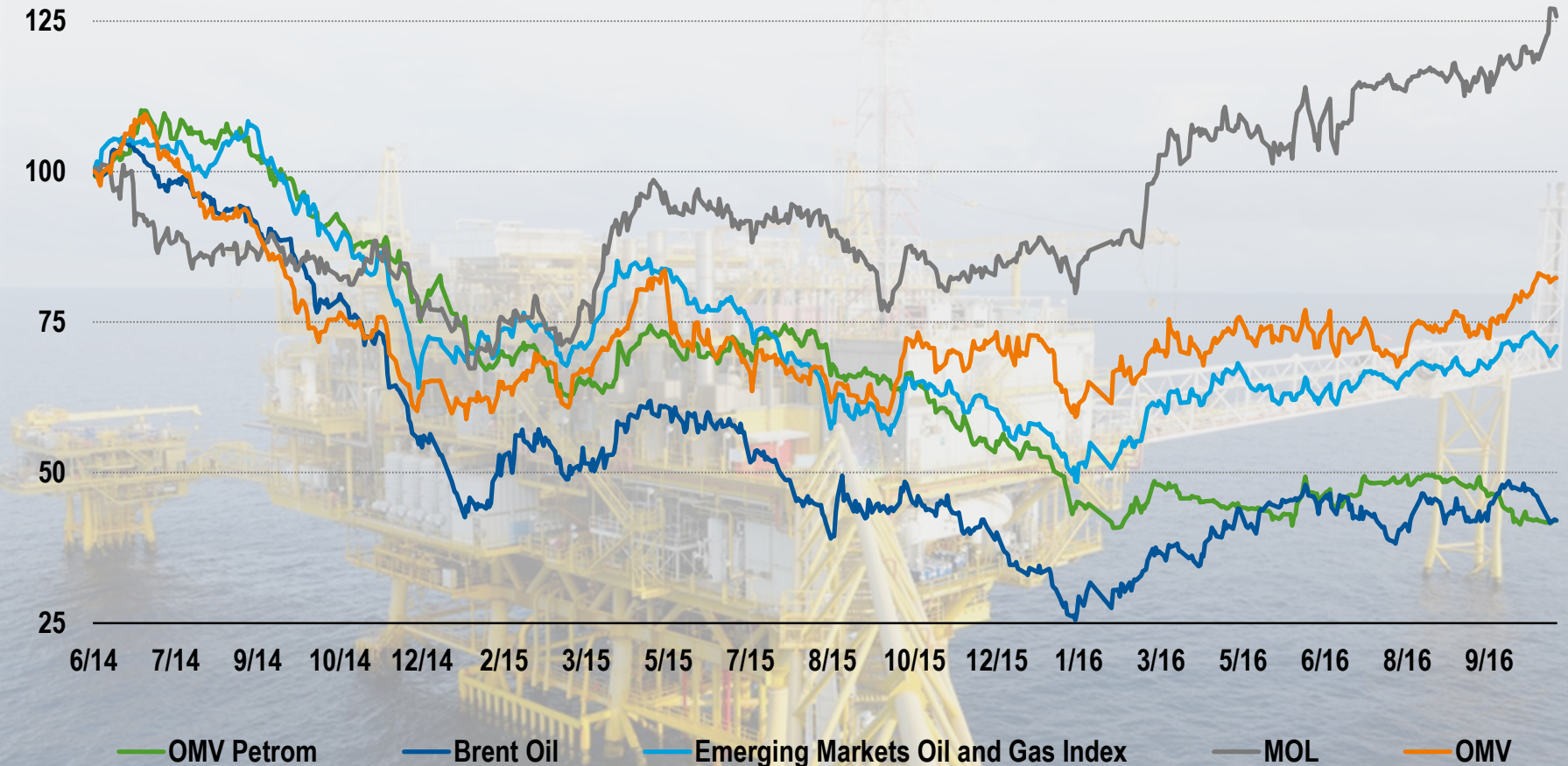
- Higher aftermarket liquidity
- Broadened shareholder base (80% of the transaction went to high quality institutional investors)
- Increased capital market profile among domestic retail investors
- GDRs will allow accessing international investors through the London listing and USD GDR price and further help diversify OMV Petrom's shareholder base
- GDR allow future traction among European and US institutional investors
- GDRs will increase the visibility of OMV Petrom as well as Romania

Source: Goldman Sachs International, Banca Comercială Română SA, Erste Group Bank AG and WOOD & Company Financial Services.



OMV Petrom – Share Price Performance

% in USD



Source: Bloomberg, as at 8 November 2016.

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Portfolio Holdings – Key Financials for 9-Months 2016 Results

	EBITDA (mn RON)		Net Profit (mn RON)	
	9mo 2015	9mo 2016	9mo 2015	9mo 2016
Hidroelectrica SA	1,602.99	1,636.77	709.27	890.94
OMV Petrom SA	4,823.00	3,731.21	990.74	877.69
BRD Groupe Societe Generale SA	-	-	361.04	606.05
Nuclearelectrica SA	459.72	424.12	131.19	64.54
Alro SA	266.37	168.10	72.73	63.80
Total	7,152.08	5,960.20	2,264.97	2,503.02
Weighted Total¹	994.87	851.10	298.46	322.42

Source: Companies Q3 2016 Financial statements.

Note: EBITDA is calculated as Operational result + Depreciation and Amortization.

1. Weighted for the Fund's stake in the company.

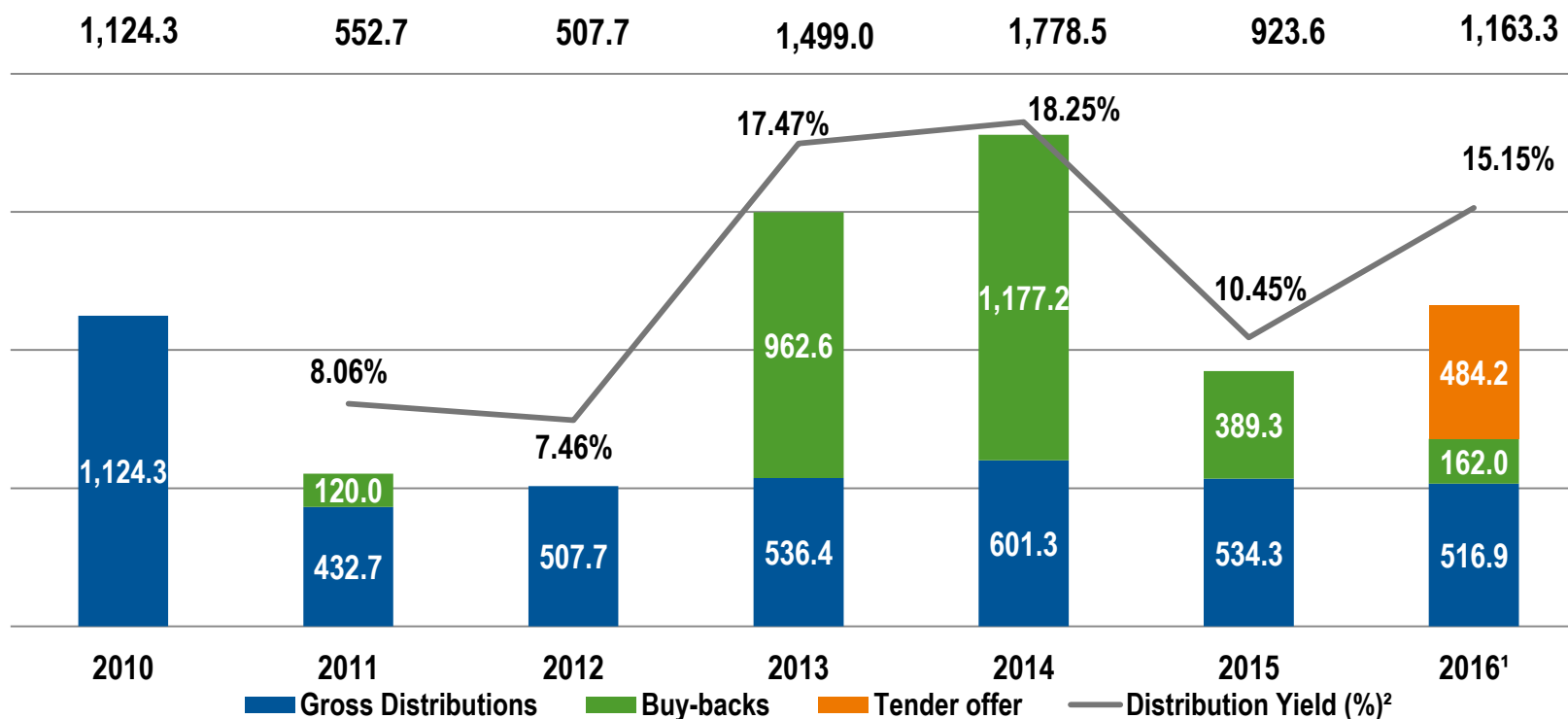
Corporate Actions



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Distributions to Shareholders

Annual Distributions to Shareholders (mn RON)



- The total distributions through buy-backs and cash amount to RON 7.55 bn¹ / USD 2.18 bn.

Note: Values exclude related acquisition fees. USD values based on the NBR average USD/RON FX for each year. For 2016, average USD/RON FX as at 15 November.

1. Note: Considering the buy-backs as at 11 November 2016, and the tender offer.

2. Based on the total annual distributions through buy-backs and cash, based on the average share price for the respective year and the average number of paid shares, excluding Treasury shares. For 2016, average share price as at 15 November.

Updated Annual Cash Distribution Policy

- In the absence of exceptional market conditions or circumstances, and subject to any restrictions under Romanian legal or tax regulations and subject to available funding, the Investment Manager intends to recommend a cash distribution related to each financial year equivalent to: 100% of the sum of the Fund's dividend income from portfolio companies, plus interest on cash balances, less expenses and taxation and less compulsory allocations to reserves according to the regulations in force, in each case for that year, but not less than RON 0.05 per share.
- The cash distributions would be paid to shareholders in the form of a return of capital (by decreasing the nominal value per share) and / or in the form of dividends, in each case subject to any restrictions under Romanian legal or tax regulations.
- In the case of dividend distributions (where permitted by applicable law), the distributable amount will be assessed based on audited financial information.
- In the case of a return of capital, the distributable amount will be based on a best estimate according to the latest management accounts at the time of proposing the resolution.
- Unpaid and treasury shares will not be entitled to receive cash distributions.
- The Annual Cash Distribution Policy does not limit additional cash returns and share buy-backs that can be recommended by the Investment Manager separately, subject to available funding and depending on the discount level, in accordance with the Investment Policy Statement.

2017 Cash Distributions

Cash Distributions to Shareholders (RON)

	Status	Payment Date	Cash Distribution Per Share
Special Distribution – Return of Capital	Approved by shareholders on 31 October 2016	27 March 2017	RON 0.05
Annual Distribution	To be submitted for shareholders' approval by the Investment Manager in Q1 2017	Expected for end-June 2017	At least RON 0.05
Total			At least RON 0.10

Buy – Back Programs

Program	Period	Status	No. of shares to be repurchased / % of the Fund's issued share capital	Average share price (RON/share)	Broker	Cancellation of shares
Sixth	Sep 2015 – Sep 2016	Finalized	891.8 mn/8.13%	0.8208	Wood & Co., Goldman Sachs Int.	179.6 mn shares cancelled starting 26 Oct 2016; Shareholders approved the cancellation of the rest of the shares on 11 Oct 2016
Seventh	Started on 29 Sep 2016	12.18% Completed	329.59 mn/ 3.06%	0.8025 ¹	Wood & Co., Goldman Sachs Int.	-
Eight	-	Approved on 11 Oct 2016	Up to 10% of the issued shares during the buy-back execution period	-	-	-

1. As at 11 November 2016. Estimated value based on the 44,651,359 shares repurchased (44,651,359 ordinary shares and 0 equivalent shares of the GDRs repurchased).

Third Tender Offer

Value of the Offer	575,000,000 shares (388,559,950 in the form of shares and 186,440,050 in the form of GDRs)
Purchase price	RON 0.8420 per share and the USD equivalent of RON 42.10 per GDR
Subscription period	3 August – 7 September 2016
Total subscriptions	6,628,754,149 shares, i.e. 1,152.83% of the Offer (4,479,422,849 subscribed in the form of shares and 2,149,331,300 in the form of GDRs)
Allocation method	Pro-rata
Allocation ratio	0.0867432985
Intermediary	WOOD & Company Financial Services a.s
Dealer managers	Goldman Sachs International and WOOD & Company Financial Services a.s
GDR Tender Agent	The Bank of New York Mellon

Announcement date	Tender price (RON/share)	FP pre-announcement share price (RON/share)	Premium to pre-announcement share price (%)	Discount of offer price to 30 June 2016 NAV (%)
5 Jul 2016	0.8420	0.7380	14.09%	26.43%

Source: Investment Manager current report.

Appointment of Johan Meyer as Co-CEO and Co-Portfolio Manager

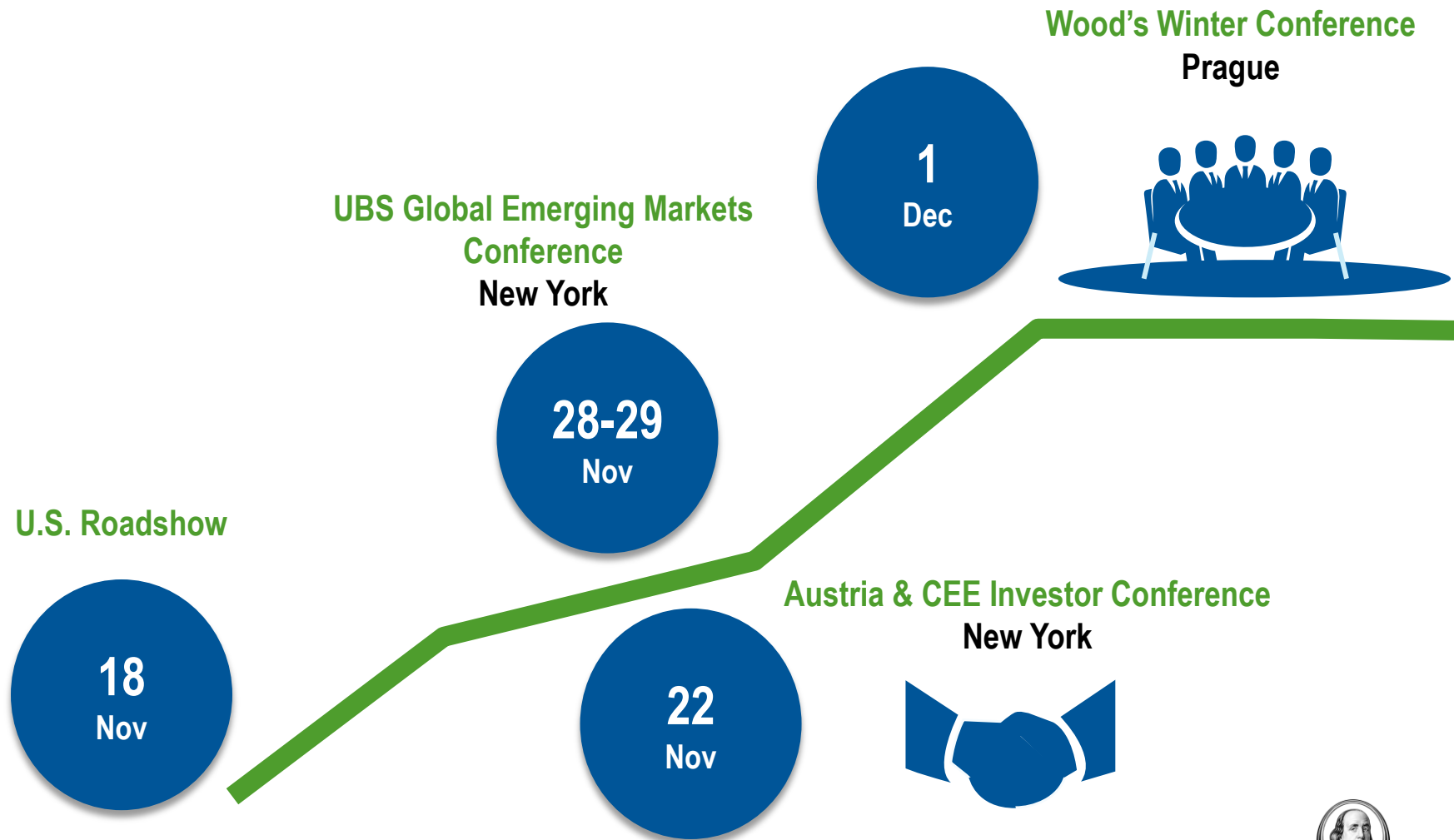


CO- Portfolio Manager Fondul Proprietatea

**CO- CEO Franklin Templeton Investment Management Ltd UK
Bucharest Branch**

- Johan Meyer joined Franklin Templeton Investments in 2004. Prior to his role in Romania, he was the Managing Director South Africa, and the Director of Africa Strategy for Templeton Emerging Markets Group. In this capacity, he was responsible for setting the overall strategy for his respective area, providing guidance and thought leadership, coordinating appropriate resources and coverage, and leveraging the group's expertise to add value across products within the strategy.
- Effective on 1 November 2016 he is Co-CEO of Franklin Templeton Investment Management Limited UK Bucharest Branch and Co- Portfolio Manager of Fondul Proprietatea.
- Mr. Meyer holds a bachelor's degree in commerce and an honors degree with specialization in economics from the University of Pretoria. He speaks English, Afrikaans and is currently learning Romanian.

Investor Relations – Upcoming Events



More information about the Fund can be found on the website www.fondulproprietatea.ro

Q3 2016 Results



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Statement of Financial Position

RON mn	30 September 2016 Unaudited	31 December 2015 Audited
Cash and current accounts	8.0	0.6
Deposits with banks	155.3	197.8
Treasury bills	321.1	20.0
Government bonds	-	59.0
Dividends receivable	105.7	-
Equity investments	9,692.5	11,800.7
Non-current assets held for sale	888.4	-
Other assets	200.9	29.6
Total assets	11,371.9	12,107.7
Total liabilities	55.2	54.6
Total equity	11,316.7	12,053.1
Total liabilities and equity	11,371.9	12,107.7

Source: Fondul Proprietatea Quarterly Report for the nine-month period ended 30 September 2016.

Statement of Comprehensive Income

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RON mn (Unaudited)	9 month period ended 30 September 2016	9 month period ended 30 September 2015
Gross dividend income	351.4	569.3
Net gain/ (loss) from equity investments at fair value through profit or loss	(498.8)	(774.8)
Impairment losses on equity investments available for sale	(43.0)	(28.7)
Interest income	3.9	2.4
Gain on disposal of equity investments available for sale, net	926.0	-
Other items of income / (expense), net ¹	21.9	20.6
Net operating income / (loss)	761.4	(211.2)
Operating expenses	(89.5)	(92.5)
Finance costs	(0.3)	(2.0)
Profit / (Loss) before income tax	671.6	(305.7)
Income tax expense	(100.9)	(126.7)
Profit / (Loss) for the period	570.7	(432.4)
Other comprehensive income	(153.7)	(107.3)
Total comprehensive income for the period	417.0	(539.7)

Source: Fondul Proprietatea Quarterly Report for the nine-month period ended 30 September 2016.

1. Other items of income/ (expense), net included the net foreign exchange gains/ (losses), the (reversal of) impairment losses on receivables and other income.



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